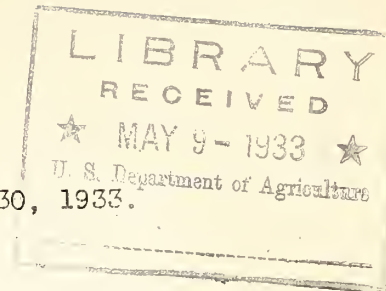


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UNITED STATES DEPARTMENT OF AGRICULTURE
DIRECTOR OF EXTENSION WORK
WASHINGTON, D. C.



TO ALL EXTENSION WORKERS:

We are giving below the text of a statement with reference to the Administration's emergency bill to increase agricultural purchasing power, made by Henry A. Wallace, Secretary of Agriculture, on March 25, 1933, before the Senate Committee on Agriculture and Forestry.

--C. W. Warburton, Director of Extension Work.

STATEMENT BY SECRETARY OF AGRICULTURE HENRY A. WALLACE
BEFORE THE SENATE COMMITTEE ON AGRICULTURE AND FORESTRY,
March 25, 1933.

Necessity for Powers Vested in the Administration
by the Farm Relief Bill

The Administration accepts as a fundamental principle the view that restoration of the farmers' buying power is an essential part of the program to relieve the present economic emergency, not only for agriculture, but for all industry and a large portion of our national credit structure.

The farmer is in a disadvantageous position because of uncontrolled production; loss of foreign markets; a protected market for the things he buys; increased overhead costs, such as taxes and farm indebtedness; loss of consumers' purchasing power during the present emergency; and finally because of increased distributing and transportation costs. These costs have increased since the war out of all relation to the value of the products, and have shown little or no decline during the present depression. They are still greatly in excess of such costs during the pre-war period.

Production and marketing conditions for the various basic agricultural commodities vary from one to another. The continuous change in economic situations makes any inflexible solution certain to be found unsuitable or ineffective after a comparatively short time. To deal with the many factors that contribute to the farmers' present situation, and to deal with those factors as they vary in application to the commodities concerned, and to meet changes in the economic situation, Congress must enact legislation granting broad and flexible powers to the Administration. It must trust for a solution of the present emergency to the exercise of sound discretion by the Chief Executive and those who carry out his program. Nothing less will suffice to meet the realities that now confront us. Congress has granted such authority to meet the banking emergency. It should, in my judgment, do likewise in meeting the agricultural emergency, which is so intimately woven with the banking situation and the industrial depression.

The Administration has, therefore, proposed, that you grant the President and the Secretary of Agriculture broad and flexible powers. First, there is the authority to provide for effective yet voluntary reduction in crop acreage planted. Second, the authority to provide for reduction in the amount of any commodity produced for market. To carry out a program of either acreage or production control, authority is asked to compensate the producer through rental or benefit payments. The Bill contains revenue features adequate to prevent any loss to the Treasury by reason of such control operations. Third, authority is requested to enter into agreements with processors, associations of producers, and others engaged in the handling of agricultural commodities. Fourth, authority is asked to license such processors, associations of producers and agencies, if this becomes necessary in order to eliminate unfair practices or changes that tend to prevent the effectual operation of the other features of the Bill. Finally, there is authority to deal with the cotton situation for the current year through the cotton option contracts provided in the Smith Cotton Bill which received your consideration at the last session.

I have stated above that in my judgment all of the powers conferred in the Bill are essential to meet the situation adequately. Let me set forth briefly some of the reasons for this conclusion.

1. Acreage Control. - Production must be balanced with consumption if the price levels are to be maintained at any level that is fair to the farmer. This is particularly true when we face the burdensome carryovers of cotton and wheat. The taking out of acreage on a wide scale, having due regard for available domestic and foreign markets, is, at least, one necessary line of attack. I do not contemplate such reduction of acreage as meaning that we permanently forsake our foreign markets, but only that we should face the fact of the existing carryovers and control the acreage planted with a view to keeping the new production in accord with our potential domestic and foreign markets.

2. Control of Marketed Production. - On the other hand, acreage control is not suited to preventing overproduction of livestock. It is necessary that authority be given to meet the hog situation by controlling the number, and possibly the tonnage, of the hogs marketed. It may be found that control of the cotton surplus can best be handled through control of production at the gin, rather than by control of acreage planted. Natural conditions beyond the reach of the producer may necessitate production control rather than acreage control. It is necessary that the Administration have not only the authority to control acreage planted but also to control production marketed, in order to meet the varied circumstances.

3. Marketing Agreements. - Marketing agreements with processors, associations of producers and other distributors, may in many instances assure producers a fair return without the necessity for the processing tax and rental or benefit payments. It has been suggested that the hog situation can be met in large part through such agreements. Such agreements might also afford a means of assuring the tobacco producer a better price for his commodity. Through such agreements processors might find it possible to place themselves in such a position as to eliminate some of the distributive costs and certain of their practices which now serve to depress the price to the producer. The marketing agreements also afford a means of providing relief for many minor commodities with respect to which acreage or production control and rental or benefit payments are not contemplated under the terms of the Bill.

4. Licensing. As to the licensing provisions, I regard them as vital. They are not an end in themselves; but are supplementary authority to effectuate production and marketing programs that might otherwise be defeated through practices unfair to the public or producers, or even to the large number of processors and distributors who would be making an earnest attempt to effectuate the policy of the Bill. To illustrate I would feel that the policy of the Bill were being defeated should, as a result of a three cent processing tax on cotton, an excessive increase in price be passed on to the consumer. The processing tax, if used, should not be availed of to pyramid costs to the consumer. The cotton farmer obtains approximately five cents for the cotton in a shirt which costs the consumer \$1.00 or \$1.50. A three cent tax, even with due allowance for wastage and other factors, should not increase that cost more than approximately another five cents. Should, as a result of the operation of the Bill, there develop practices or charges unfair to the producer or consumer, I would feel that the licensing provisions might be called into play. Without attempting to speculate as to the existence in fact of the many unfair practices frequently alleged to exist in our distributive system, it seems necessary that there should be authority to restrict such practices when they are shown in fact to exist and when they tend to defeat the other operations under the Bill.

5. Processing Tax. The processing tax will not necessarily become operative with respect to all commodities brought under the protection of the Bill. If a satisfactory price could be reached and maintained by trade agreements, no tax would be imposed. Circumstances must decide the necessity for the tax with respect to any particular commodity, and the facts will determine the amount of the tax. When rental or benefit payments are found necessary to correct the situation, the tax must produce the revenue necessary to administer the Bill and to protect the Treasury from deficits. The tax is permitted to be levied, however, only with due regard for the consumer's ability to meet any increase in price occasioned thereby. This flexibility is important. As I read the substitute now under consideration by your Committee, no adequate provision is made for protecting the consumer's interest by adjusting the tax with due regard thereto.

I have been quoted as stating that the operation of the measure will cost \$200,000,000. I have made no such statement. The Department has made no such statement. No sound estimate can be made in advance. The answer depends upon what products the processor's tax is placed; on the current farm prices; on the amount of tax fixed, having due regard for the requirements that limit the amount of the tax; on changes in the consumer's purchasing power; and on many of the economic factors which now constitute a part of the present national and international emergency. I do desire to add, however, that the percentage of the retail price which now goes to the farmer is so small that the addition of the tax will have only a slight effect on retail prices, and that the consumer, as well as the farmer and business men, has everything to gain from a fair and balanced relationship of production to consumption that will restore to the farmer the pre-war purchasing power of his commodities.

All of the powers requested are essential if the Administration is to be adequately empowered to meet the agricultural situation. The particular powers that will be exercised with respect to any given commodity at any given time cannot be stated in advance. This must be determined on the basis of investigation of facts by the Secretary of Agriculture. These investigations will be undertaken promptly upon the passage of the measure and will not serve to delay the

placing of the measure into effect. Full opportunity will be given producers, processors and other distributors to suggest the most effective use of these powers for each particular commodity. I have every expectation that not only the producers, but most of the processors, and I hope other handlers, will cooperate with the Administration. Such cooperation is essential to fair and effective administration, and will, I hope, serve to avoid necessity for extensive use of some of the more drastic of the powers proposed to be conferred.

The planting season is now under way in many parts of our country. Agricultural relief is an essential part of the Administration's efforts to overcome our present economic depression. Time must not be lost if any action taken is to produce the fullest benefit. I, therefore, urge upon you gentlemen of the Committee the necessity of doing everything within your power to cooperate with the Administration in expediting the farm relief program, and of giving us a program that is adequate to meet the situation.

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